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SUMMARY RECORD OF THE 7th MEETING

Chairman: Mr. HADID (Algeria)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 10.15 a.m.

AGENDA ITEM 127: SCALE OF ASSESSMENTS FOR THE APPORTIONMENT OF THE EXPENSES OF THE UNITED NATIONS (continued) (A/48/11)

1. Mr. ONWUALIA (Nigeria) said that, despite its imperfections, the current scale methodology was the only one acceptable and could be gradually improved. His delegation continued to support national income as the fundamental criterion for determining the scale of assessment, as well as the use of market exchange rates (MERs) or, in certain specific instances, price-adjusted rates of exchange (PAREs); it also continued to support the use of data supplied by Member States.

2. In 1991, Nigeria had stressed the need for a shorter statistical base period. A shorter period of three to five years would make it easier to take into consideration the unstable nature of the economies of most of the developing countries and countries in transition. The reduction could be made gradually, in accordance with the recommendations of the Committee on Contributions. Similarly, the scheme of limits should be gradually phased out since it created distortions that penalized those countries it was meant to assist. Nigeria was in favour of gradually adjusting the current methodology and rejected the so-called "clean slate" approach.

3. Mr. MARUYAMA (Japan) said that the basic principle of apportioning the expenses of the Organization was each Member State's capacity to pay, estimated on the basis of national income. The various elements which had been taken into account over the years, for technical or other reasons, had meant that the current methodology, although imperfect and highly complicated, represented a delicate balance among disparate political interests. It would therefore be difficult to adjust it. That being the case, it was regrettable that the General Assembly, at its forty-seventh session, had not been able to adopt a resolution that could have guided the work of the Committee on Contributions.

4. While Japan clearly understood the concerns of the 22 Member States referred to in paragraph 21 of the Committee's report, it firmly believed that the methodology which had been applied in their case was, and remained, the only feasible one. Furthermore, however well-founded the technical reasons for shortening the statistical base period from 10 to 9 years, it was preferable to maintain the current period, since it promoted stability. The low per capita income allowance should not be used excessively. As certain members of the Committee had indicated, the use of a 100 per cent gradient would create additional distortions and benefit only a very limited number of countries, while it would unfairly penalize the smaller developing countries. Japan was therefore opposed to that proposal.

5. In view of the divergence of opinions as to how the scale methodology should be modified, Japan shared the view of those who believed that it would be better to revamp the methodology completely rather than attempt to improve one or another of its components. His delegation once again warned against focusing excessively on the technical aspects of the problem, and reiterated its proposal that an ad hoc, independent, high-level body should review the problem from a wider viewpoint.

6. Mr. KERSTEIN (Slovenia) noted with satisfaction that the representations made to the Committee on Contributions had given it a better understanding of the political, legal, economic and technical issues raised by the 22 Member States; he recalled that, at its fifty-second session, the Committee had indicated that the rates of assessment for new Member States might undergo considerable adjustment when the next scale was prepared.

7. The Committee on Contributions had decided that, in the absence of a specific mandate from the General Assembly, it did not feel competent to deal with the political and legal aspects of the problem. As it had noted, the assessment rates for the 22 Member States could be determined at a level more in keeping with their capacity to pay in the context of the next scale of assessments, based on an improved methodology. In that regard, while his delegation fully supported the principles reaffirmed by the General Assembly in its resolution 46/221 B, it welcomed the Committee's decision to review periodically the definition of income to be used in determining the scale of assessments. No effort should be spared to arrive at a more transparent and simplified methodology.

8. In that spirit, Slovenia urged the Committee on Contributions to continue to study ways of taking into account the problems of refugee-host countries. Furthermore, his country was particularly interested in the idea of shortening the statistical base period to make it more realistic. With regard to the scheme of limits, it was his delegation's understanding that the General Assembly intended to phase it out over the next two three-year scale periods, but it would not object to the Committee giving further consideration to the question. A choice would have to be made between improving the current methodology and maintaining stability in the scale of assessments, but it was important to study all innovative approaches, such as the "clean slate" approach, although the latter was probably too extreme.

9. In the interests of consistency, the Committee on Contributions had, in the case of three of the new Member States, followed the methodology previously applied to States formed from the break-up of another Member State. Without wishing to comment on the actual rates proposed, Slovenia believed that the Committee had acted correctly.

10. Finally, despite the imperfections in the scale methodology, his delegation shared the view of many others that, particularly at a time when the Organization was being entrusted with complex new challenges, it was essential that all Member States should fulfil their financial obligations under the Charter. Slovenia had done so, despite the difficulties it was experiencing, and it was determined to continue to do so.

11. Mr. SALANDER (Sweden), speaking on behalf of the Nordic countries (Denmark, Finland, Iceland, Norway and Sweden), said he firmly believed that the fact that the General Assembly had failed to reach agreement on the scale of assessments for 1993 and 1994 was due to exceptional circumstances and in no way constituted a precedent. Nevertheless, that situation had prevented the Committee on Contributions from examining, in a substantive way, the representations made by a number of States which had been part of the former USSR, the former Czechoslovakia and the former Yugoslavia. The Committee should therefore be given clear guidelines so that it could define a methodology for the period

(Mr. Salander, Sweden)

1995-1997 more in keeping with the principle of capacity to pay than the current cumbersome system, which lacked transparency.

12. National income, as defined at the beginning of paragraph 34 of the report of the Committee on Contributions (A/48/11), should continue to serve as the basis for establishing the scale of assessments. As indicated in paragraphs 34 to 41 of the report, no other acceptable definition had yet been found. With regard to the issue of conversion rates, the Nordic countries shared the Committee's view that market exchange rates (MERs) should be the rule, and price adjusted rates of exchange (PAREs), the exception. That issue had complicated the process of determining the rates of assessment for a number of new Member States for which there was no MER for the first years of the statistical base period. The problem would have been resolved if a shorter statistical base period had been used and the Nordic countries firmly believed that that solution would not only reflect the present rather than the past, but would benefit all countries, including the developing countries. The Independent Advisory Group on United Nations Financing had, moreover, suggested shortening the statistical base period to three years.

13. The low per capita income allowance benefited mainly those developing countries with large populations. Noting that some members of the Committee on Contributions were of the view that any increase in the gradient would not benefit the great majority of developing countries, the Nordic countries believed that the formula should be abolished.

14. The Nordic countries had studied with interest the idea of applying the "clean slate" approach to the current system and were in favour of adopting a simple, transparent methodology based on reliable, verifiable and comparable data, particularly if the change was accompanied by a shortening of the statistical base period.

15. Mr. SIRRY (Egypt) recalled that the methodology applied in past years for determining the scale of assessments was the outcome of a consensus and, by and large, had been satisfactory, particularly in terms of fairness and stability. It would therefore be better not to depart from it and to retain, in particular, the two important elements, namely national income and market exchange rates.

16. It was regrettable that the Committee on Contributions had been unable to offer specific recommendations regarding the statistical base period, the low per capita income allowance and the scheme of limits. He hoped that the Committee would not unnecessarily disturb the balance between those three elements which had been so difficult to achieve. His delegation could not agree that the current methodology should be subject to endless modifications with the sole aim of securing advantages for some at the expense of others. His delegation sympathized with the concerns voiced by the 22 Member States and believed that the issue should be addressed in the context of the next scale of assessment.

17. His delegation wondered why the "clean slate" approach had been given that name since, while the 25 per cent ceiling would be abolished, the floor of 0.01 per cent would be retained; in other words, the principle of capacity to pay would continue to be applied to the least developed countries. That

(Mr. Sirry, Egypt)

constituted a somewhat dogmatic contradiction and he wondered why other developing countries which were also suffering from all sorts of difficulties would not also wish to have their capacity to pay taken into consideration. Bosnia and Herzegovina, for example, would see its rate of assessment increase from 0.04 per cent to 0.07 per cent, or even 0.08 per cent, depending on the length of the base period. Egypt was therefore strongly opposed to the "clean slate" approach, which was clearly unrealistic and unfair.

18. Mr. ABDELLAH (Tunisia), speaking on behalf of the Arab Maghreb Union, stressed that General Assembly resolution 46/221 B was still the appropriate political framework for examining the scale of assessments and that it was important to settle the question by consensus and maintain a balance between two imperatives: fairness and the financial viability of the Organization.

19. The scale methodology must continue to be based on capacity to pay, measured in terms of national income. It must not entail the systematic allocation of additional points to developing countries, nor must it increase their burden in the event of the abandonment of the scheme of limits.

20. The low per capita income allowance was a legitimate measure for providing relief to many countries and should continue to be applied, inasmuch as the efforts made by those countries in the economic and social fields had an impact on their capacity to pay and ought not to be hampered.

21. Any new methodology must take into account the real capacity of countries to pay and must respect the principle of the equitable apportionment of expenses among Member States; it must therefore take into account the external debt burden.

22. Mr. KARBUCZKY (Hungary) said that his delegation fully sympathized with the position of the 22 Member States. Despite their difficulties, they were not asking for any preferential treatment, but were simply seeking to have their rates of assessment established on a more realistic basis. Like any other Member State, they had the right to submit their own data, to request that IMF exchange rates should be applied to them, and to be assessed as new Member States. In that regard, the assessments of the Czech Republic and Slovakia, which resulted from a mechanical redistribution of the assessment of the former Czechoslovakia, constituted an example of the deficiencies of the current scale methodology. If the methodology for the determination of the next scale of assessments was still not satisfactory, new ad hoc arrangements for the countries concerned would be required.

23. The scale methodology must be simple, must contain only the absolutely unavoidable subjective and political elements, and must reflect the relative capacity to pay of Member States. That was not true of the existing methodology, which benefited some Member States while burdening others. As a result of the scheme of limits and the 10-year base period, for example, contributions did not take into account the recent evolution of national economies. Three-year scales, combined with a 10-year base period, introduced further distortions, as explained in footnote 5 to the report of the Committee on Contributions. The floor rate also resulted in the unreasonable overassessment of very poor Member States.

(Mr. Karbuczky, Hungary)

24. His delegation was in favour of what was defined in the report as the "clean slate" approach, which involved the input of national incomes (and in the future, probably, assessable incomes), and a shorter statistical base period of three or six years. The floor rate of 0.01 per cent should, however, be made a ceiling for the least developed countries while the ceiling applicable to major contributors should be retained, although he realized that that would introduce a subjective element into the scale calculation.

25. The low per capita allowance formula must be carefully studied in the light of the reasoning set out in the report of the Committee on Contributions. Moreover, to account for external debt, it would suffice to take into consideration the net amount of interest paid. One thing that was surely not needed was the scheme of limits, the abolition of which had been advocated by Hungary four years earlier.

26. Mr. DONNELLY (United States of America) said he hoped that, unlike what had happened during the forty-seventh session, the Fifth Committee would reach a consensus during the current session and would be able to provide the Committee on Contributions with the guidance it needed to prepare recommendations regarding the next scale.

27. The United States was by far the largest contributor to the United Nations budget. It was not surprising, therefore, that as the Organization's expenditures had increased, the United States Congress and the tax-paying public wished to know whether the financial burden was being shared in an equitable manner among the Member States and whether the Organization was doing all that it could to upgrade efficiency and restrict the growth of the budget. Similarly, President Clinton, in his address to the General Assembly, had made clear the intention of the United States to work to reduce its rate of assessment for peace-keeping operations.

28. His delegation had always expressed reservations about the use of capacity to pay as the fundamental criterion for determining assessments. It believed that the current methodology should be improved. It retained an open mind with regard to suggestions and urged all Member States to do the same. It would evaluate such suggestions on the basis of transparency, the underlying fairness of the methodology and its mathematical integrity. In his delegation's view, the use of the 10-year statistical base period gave a distorted view of the relative economic strength of Member States at the time assessments were calculated. The impressive growth many nations had enjoyed after implementing market-driven economic policies was to be welcomed, yet it was not reflected in the mechanisms for funding United Nations activities. The scheme of limits was unsatisfactory in that it transferred shares of the Organization's costs from countries whose ability to pay was increasing to those whose ability to pay was decreasing.

29. The United States Government in principle supported the concept of a "clean slate" approach, provided that the ceiling and floor rates were maintained, for it was not desirable to have any Member State pay too great or too small a share. The deviations from that approach which were currently in the scale or were suggested for inclusion might often be justified, but they could lead to

(Mr. Donnelly, United States)

serious distortions, for instance, in the case of the low per capita income allowance.

30. His delegation was sympathetic to the views expressed by the 22 Member States, but agreed with the Committee on Contributions that those views could best be taken into account in the context of a new scale of assessments. It was confident that at its next session, the Committee on Contributions would give careful consideration to the unique set of circumstances affecting those States, especially if, as it hoped, the Fifth Committee invited it to do so in its recommendations.

31. Mr. CHOWDHURY (Bangladesh), said that capacity to pay must remain the fundamental principle for determining the scale of assessments. While there was no question that the methodology needed to be refined, that task should be approached with an open mind and with flexibility.

32. His delegation's position with regard to the various elements of the methodology was that the national income concept was the most suitable for the purpose of determining the scale; that among the proposed conversion rates, the market exchange rate was the most appropriate; and that the statistical base period should remain at 10 years, in order to attenuate the changes in assessments resulting from sudden or short-term economic changes. Bangladesh would nevertheless agree to the nine-year base period recommended by the Committee on Contributions.

33. There had been wide divergence of opinion regarding the low per capita income allowance and its gradient. Inasmuch as that automatic adjustment mechanism had provided relief to many developing countries, Bangladesh supported its continued use in the scale methodology. The scheme of limits should be gradually phased out, as suggested by the General Assembly. However, the Committee on Contributions should urgently examine ways and means of minimizing or eliminating the allocation of additional points to developing countries in the post-transition period.

34. In general, his delegation would prefer that no radical changes should be made in the methodology for determining the scale of assessments which might threaten its stability. It therefore found the "clean slate" approach unacceptable.

35. In view of the continued deterioration of economic conditions in the least developed countries, the floor rate must continue to be applied in respect of them. His delegation was happy to note that that principle had been recognized by the Committee on Contributions, the European Community and various other countries.

36. Lastly, while Bangladesh was sympathetic to the concerns of the 22 Member States, it agreed with the Committee on Contributions that the best solution was to await the preparation of a new scale.

AGENDA ITEM 121: REVIEW OF THE EFFICIENCY OF THE ADMINISTRATIVE AND FINANCIAL FUNCTIONING OF THE UNITED NATIONS (continued)

Managing works of art in the United Nations (A/48/72 and Add.1)

37. Mr. ABRASZEWSKI (Joint Inspection Unit), introducing the report of the Joint Inspection Unit (JIU) on managing works of art in the United Nations (A/48/72), explained that the inspectors had taken up that question following the observations made by the Secretary-General in his report of 27 November 1990 on building management and maintenance. After reading out those observations, which were reproduced in paragraph 8 of the JIU report, he said that the report had been prepared in consultation with a number of delegations and units at United Nations Headquarters.

38. On completing their study, the inspectors had made four recommendations which were set out at the beginning of the report. To sum up, the Secretary-General should make proposals to the General Assembly at the earliest possible date for an arts policy for the United Nations; undertake the reorganization of the Arts Committee and submit a report thereon to the General Assembly at an early date; inform Member States of the measures he planned to take to develop, preserve and safeguard the arts collection of the United Nations; and engage a professional curator (who might be appointed on a part-time basis).

39. Ms. THOMPSON (Director, Office of General Services), said that the Secretary-General basically accepted the four JIU recommendations and that his comments in respect of them related more to the measures proposed by the inspectors for their implementation. He had a few reservations as to whether those measures were appropriate to the situation, but he believed that the dialogue initiated with the inspectors constituted a good starting point for a more detailed examination. With regard to the proposal concerning the recruitment of a curator, the Secretary-General trusted that it would not rule out the possibility of engaging professional museum curatorship services.

The meeting rose at 11.50 a.m.